

may spend on luxuries like this. That is the point that the Government has to consider. I hope that the matter has drawn sufficient attention and we believe the Government has now get the facts. Whether the motion is carried or not is not what matters. We want to see that the Government understands that a good portion of the State resents the idea, and that the agitation is widespread and there is sympathy for it throughout the State. With these words I commend the resolution to the House.

The resolution being put to the vote of the House looked like carried.

Dr. A. R. Menon.—Poll, Sir.

The House divided : Ayes 19 and noes. 19

Ayes.			Noes.		
1	Mr. V. Achyuta Menon	1	Mr. V. V. Anantapadmanabha		
2	„ I. E. Ambooken		Ayyar		
3	„ A. L. Antony	2	„ V. K. Aravindaksha Menon		
4	„ K. J. Antony	3	„ A. Eachara Menon		
5	„ K. Ayyappan	4	Dr. A. G. Menon		
6	„ C. Barton Wright	5	Mr. A. S. Harihara Ayyar		
7	„ P. C. Chanchan	6	„ V. K. Kochunni Menon		
8	„ K. P. Kannan Nayar	7	„ T. K. Krishna Menon		
9	„ S. S. Koder	8	„ T. K. Nayar		
10	„ P. Krishna Menon	9	„ K. Krishna Pisharodi		
11	„ A. K. Kunhi Moideen	10	„ U. Kandar Menon		
12	„ C. V. Kurian	11	„ P. Kumaran Ezhuthassan		
13	„ C. J. Mathew	12	„ P. Nilakanta Menon		
14	„ Ouseph P. Kundukulam	13	„ T. S. Narayana Ayyar		
15	„ M. K. Raman	14	„ I. Raman Menon		
16	„ A. B. Salem	15	„ K. Ramunni Menon		
17	„ K. Mohamad Seethi	16	„ Rama Varmha Tampuran		
18	„ Thomas Manjuran	17	Dr. A. R. Menon		
19	Dr. E. A. Veigas	18	Mr. S. K. Subramania Ayyar		
		19	Diwan Bahadur Dr. V. Verghese		

President.—It is 19 and 19.

Dr. A. G. Menon.—You have a vote, Sir.

President.—I give the vote against the motion.

The President gave his vote against the motion and the resolution was lost.

28. Committee of enquiry into Taxation.

Mr. C. V. Kuriyan.—I commend the following resolution:—
“This Council recommends to the Government that a mixed Committee of officials and non-officials be appointed for a general enquiry into taxation on the following lines :—

(a) to examine the manner in which the burden of taxation is distributed at present between different classes of population of the State ;

(b) to consider whether the whole scheme of taxation is equitable and in accordance with economic principles, and, if not, in what respect it is defective ;

(c) to report on the possibility of fresh and alternative sources of taxation and to draft an Income-tax Regulation."

In commending this resolution I believe that the resolution, as coming from a non official Member of the House, may not be relished by certain Members. My fear is all the more, as there is economic depression throughout the State, but hoping that better times will prevail, I just move that this resolution may be accepted by the House. Now, one of the important features of the revenue derived by the State is that the major portion is borne by agriculturists, belonging to the rural areas, while people of the town, merchant class people, the people who enjoy the amenities of civilised life, are practically exempt from any share of revenue to the State. It is inequitable and it is not compatible with modern times. Now, if agricultural classes are to bear the burden of taxation and the money realised from them are to be utilised for works to be accomplished mainly in towns, then there is no justification to exempt people living in towns from any kind of taxation. No doubt they have to share their contribution to the Municipalities. But compared with the taxation levied in rural areas, especially from the agricultural people, it bears no proportion. Then again, with the change of times, we notice that several institutions are coming up having good financial turnover of business every year. Several merchants conduct prosperous concerns and their incomes do not share that legitimate burden which they ought to share. These merchants make good profits from their business and they are practically exempt from taxation. All these state of affairs is not justifiable under the existing conditions. No civilised State exists without collecting their proper share to the Government coffers from the merchant classes and from institutions. Now that unjust inequity should be removed. That is one of the objects of my resolution.

Then again the Government hitherto have been adopting a system of squeezing the poor people in the name of Excise Revenue. When we peruse the Administration Reports of several past years, it will be interesting to note that the fees levied on cocoanut trees, fee levied on palmyra, fee levied for sago, fee levied for jaggery-tapping, all these have assumed a great proportion, which the poor people are not at present able to bear. Now the increase was systematical. From 12 annas on cocoanut trees it has reached the high figure of 7 or 8 rupees. From the small figure of Rs. 1 1/2 or so from Palmyra it has reached to Rs. 12. The fee realised from such sources is extractions from the poor people belonging to the labour classes. If we are levying this fee under the guise of the principle of maximum

revenue and minimum consumption, I say that the result has shown that the principle is a farce, and that it is one of the main axes to grind poor people. Another feature I have to observe is that as years go on, with the tide of civilisation the general value of property in towns is rising up by leaps and bounds. When you examine the provisions in the Town Improvement Trust Acts and Town Planning Improvement Acts, or whatever you call it, there is an express provision made that the owners of lands of which prices are increasing year after year, have to contribute a small proportion of the recurring rise in prices. Now if such a system of taxation is levied from towns, then the Municipalities of the respective towns will be able to find money for the progress of these towns. Now, that feature has not been considered, I think, by the existing Municipalities and if that income is derived much money will be found for the existing needs of the Municipalities. Then again, I would point out that, though the agricultural income is generally exempt from income tax regulations, the land owners who own the major portions of lands in the State do not pay a single pie to the Treasuries of the Cochin Government. Now most of the taxes are standing in the name of these land-lords and are extracted from the tenants holding lands under them. I want to urge this point merely because in the scheme of Income-tax Regulation established in India, agricultural income is really exempt. Now that is a consideration shown to exempt the Indian people, seeing that agricultural income is the only practical source of income derivable to the peasants. Now, for that agricultural income derived by the peasants, they already pay it by way of land revenue. It has also been found that it is extremely excruciating to levy tax on agricultural income from the agricultural classes seeing that they already contribute a small portion. But seeing that there is injustice to throw the whole burden of land revenues on the shoulders of tenants, I only make an observation that the land-lords should also contribute a small portion of the income derived from the tenants and they should also contribute to the treasury.

Consider the resolution again from the financial standpoints of the State. I do not tread those grounds at present except to remark that the present Government will be driven to a position of finding fresh sources of income if the schemes in hand are to be undertaken and completed. They will be driven to the necessity of borrowing from their people. They will be driven to the necessity of floating debenture loans. But in these two respects, I do submit, that the trial was made and the Government had already applied to the British Government to lend nearly 60 lakhs of rupees.

But it was refused. The floating of debentures by a small State like Cochin, I think, will not find favour in the markets and that to meet the existing demands and to complete the works in hand, I think, is impracticable. Now the practical solution is—I do not say that this is the only practical solution—one of the effective methods to meet the anticipated expenses, will be to levy income tax on merchants, several institutions which are being conducted in several parts of the State, several mills and industrial concerns which are being floated in the State and to ask the land-lords to bear a small portion of their income in the shape of income-tax. My position with regard to the land-lords, I may not press for the present. But I think it would be better to levy first income-tax on commercial people and reserve that tax, which I referred to be levied from land-lords, for a second stage. With these observations I commend this resolution to the House.

Mr. I. E. Ambooken.—I second it.

Rama Varmha Tampuran.—Sir, the Government do not think that at present any special committee to go into this question in detail is essential, (*Hear, hear*) because the question of further taxation arises only when there is need for more funds. At present the Government have enough surplus to fall back upon. The current demands of administration they are able to meet with the current receipts, so that no necessity for going into any other source of income has actually arisen. Of course they admit that there is considerable force in the point of view urged by the Hon'ble Member that, unless income-tax on commercial concerns and commercial incomes is also included, the entire incidents of taxation will fall upon the agricultural population. But in India always we have been falling back upon the agricultural resources, and only when necessities arose to find out further sources of income had any State in India gone out to try to find out another source. Such a contingency has not actually arisen in Cochin. Why should we then, when there is no necessity at present, go into this question? The question may arise in all its force, in all its fullness later on. But the point is whether at present, as things stand, we should go and tax the commerce and trade. If there is income-tax in many other parts of the country and if our State is free from that so much the better for our commerce, so much indirect prosperity we get. Why should we forego all that? Further, even if the commercial classes are going to be taxed, it will indirectly affect the agricultural masses as well. Would the merchants sit quiet, going on with the present prices, having had to pay income-tax?

Won't they try at least to get a good portion of the tax they pay from the poor agricultural people? Won't that be again a disadvantage to the poor masses? But all would have to be gone into perhaps in the near future itself. At present we have ample surplus and there is no necessity to go in for additional taxation. These are the grounds on which the Government think that no committee is necessary.

Dr. A. R. Menon.—Sir, while it is not my intention to support the motion to appoint a committee, I do not clearly understand the reasoning of the Hon'ble Secretary in coming to the conclusion that he did. His point is that there is no need to explore any area of taxation. The Special Finance Committee specially recommended that here is a source of taxation which ought to be tapped. It is not clear that a very prosperous commercial community should be left un-taxed on the ground that we have extracted enough money from land-owning classes. A taxation which is right and proper should be collected, whether the Government have occasion to use it or not. We have been hearing a number of schemes for which we will have to incur heavy expenditure in the near future. Since there is no need for further funds, it is not proper that those who ought to pay must not be made to pay the tax, as those living on the other side of British Cochin. I fail to see why this undue consideration is given to such a section who are to bear the burden better than any other section in the State. They have been enjoying the amenity for decades and it is high time that the people who come here from foreign places must be taxed. What money they earn by their business in these parts they take it away with them. They must be made to pay a portion of it at least in order to compensate for the amenities that they have been enjoying here. I strongly recommend to the Government to follow the unanimous opinion as recommended by the Special Finance Committee to tax the commercial classes, especially of Cochin.

Mr. K. P. Kannan Nayar.—Sir, I am of opinion that so far as the appointment of the Committee is concerned it is not necessary. But the argument advanced by the Government appears to be not convincing. What the Government says is that they have got enough funds and that they should not go unnecessarily to create further trouble by levying taxes on income. Of course the levying of income-tax is always unpalatable. But the question is not whether you have got the funds now. How are you getting these funds? By taxation of the agricultural population, I suppose. The question is whether there should not be an equitable distribution as far as taxation

is concerned. (*Hear hear*). Why should they take all the money from the agricultural classes alone? This prevails only in the land of India. All other civilised countries depend mainly on the income-tax derived from the commercial classes. India is the only land where this land-tax is so heavy. If you have got the funds try to reduce the land-tax, if possible. Try also to impose a tax on the merchants and reduce the land-tax at least to that extent. You should not be satisfied by taxing land-owners and agriculturists alone and leaving people who are earning a large income free of any tax. And the other argument that was advanced by the Government Secretary was that we would be giving them a greater impetus for the industrial development and that our people would be the better for it. So far as British India is concerned, in spite of the income-tax and other taxes they pay do our people in Cochin get things cheaper? If it were so I could not understand why if we tax the commercial people our people cannot get things cheaper. There is no reason why you should not impose a tax on the merchant classes. We have to pay as much as our brethren in British India, and when they pay we are as a matter of fact allowing these people who are earning large incomes to go on without any taxes whatsoever.

Mr. C. V. Kuriyan.—In the reply made by the Hon'ble Secretary, so far as I know, he has accepted the principle underlying the spirit of this resolution. But my object in moving this was to create that equality in the incidents of taxation and if that is recognised, I think the best way will be to tap the income from the merchant classes and the Government may make a proportionate reduction to the agricultural classes. If income is derived from the merchant classes then a proportionate reduction to the agricultural classes could be made. From the Finance Committee's Report it will be seen that the Cochin State land revenue is excessive as compared with British India or Travancore. In the circumstances the land-tax is higher than in any of the surrounding States. It would be only equitable and fair that the merchant classes should be taxed and a proportionate reduction should be made to the agriculturists. I fail to see the difficulty in working out the figures for a taxation like that. Then I think that even though the Government do not feel the necessity at present, the Government will do well to levy, when better times are ushered, income-tax from salaries, interest on securities, property, business, professional earnings and other non-agricultural sources. It will bring a large income to the State. With these words I beg leave to withdraw the motion.